

Community Development Division:

The Community Development Division works with federal, state, and local governments, private non-profit organizations, and private citizens, in regard to community needs identification, public facilities planning and financing, housing development for low and moderate income families, neighborhood revitalization, and coal and hard rock mining mitigation, as well as management of projects funded through division programs.

There are two major programs directly administered by the Division:

- The Community Development Block Grant Program (CDBG), and
- The Treasure State Endowment Program (TSEP).

The Montana Coal Board and the Montana Hard Rock Mining Impact Board are also attached to the Community Development Division for administrative purposes. The Division provides office facilities and necessary staff and administrative support for the boards.

These four programs provide both financial and technical assistance to Montana communities, local elected officials and staff, nonprofit organizations, private sector developers and consultants, Indian Tribes, and private citizens. Other assisted entities include local planning boards and zoning commissions, community development corporations, human resource development councils, water and sewer districts, fire departments, and housing authorities.

- The Community Development Block Grant (CDBG) program is primarily funded with federal funds allocated through the U.S. Department of Housing and Urban Development (HUD) although the general fund provides a required match for a portion of the administrative costs of the program equal to two percent of the annual CDBG allocation.
- The Coal Board is funded from the coal severance tax shared state special revenue account. This account receives its revenues from 7.75 percent of all coal severance tax collections. The shared account funds the Coal Board Local Impact Grants, pass-through funding for conservation districts, a portion of the Growth Through Agriculture program, and state library services through the State Library Commission.
- The Hard-Rock Mining Impact Board is funded by a 2.5 percent allocation of the Metalliferous Mines License Tax.
- The Treasure State Endowment Program is funded by interest earnings from the treasure state endowment fund, a sub-fund within the coal tax trust fund. Fifty percent of the coal severance taxes that go into the coal tax trust fund are to be transferred to the treasure state endowment fund for a 20-year period, which began in 1993.

The Community Development Division's responsibilities are primarily mandated in Title 90, Chapter 1 and Chapter 6, MCA; and federal authorizations 24 CFR 570, subpart 1; and 42 USC 5301.

Mission:

To provide technical and financial assistance to county and municipal governing bodies, planning boards, community development groups, human resources development agencies, private developers, consultants, and the public regarding community planning and needs identification, public facilities planning and financing, community development and housing planning and financing; and coal and hard rock mining impact mitigation.

Goals and Objectives / Performance Indicators:

Coal Board:

The Coal Board, created by the Legislature in 1975, assists local governments, which have been required to expand the provision of public services as a consequence of large-scale coal development or a decline in coal-related activity. This seven-member board, appointed by the Governor, establishes administrative policies and implements state law. The Coal Board funds applications for grants awarded pursuant to 90-6-207, MCA, which provides guidelines for identifying those counties, communities, school districts, or other governmental entities that qualify as 'impacted' through the development, use, or decline of coal production.

Coal Board	Actual FY 2002	Actual FY 2003	Actual FY 2004	Estimated FY 2005	Requested FY 2006	Requested FY 2007
Applications	24	30	24	24	30	25
Grants	12	16	9	10	15	10
Board Meetings	4	4	4	4	4	4
Conference Calls	1	1	4	2	2	2

Coal Board Grants:

The Coal Board anticipates increased future demand for local impact grants due to increased activity involving coal mining and energy generation development as demonstrated by projects either already permitted or currently in the permitting or planning stage. These include the following projects:

- A coal-fired electric and wood co-generation plant is under construction in Thompson Falls that would burn 550 rail car loads of coal from the Bull Mountain Mine near Roundup annually. Construction of the plant is almost complete.
- An MDU subsidiary, Centennial Power, has received the necessary permits and started construction on a 160-megawatt coal-fired generating plant at Hardin that is planned to be on-line by late 2005. MDU has signed a three-year contract to sell the power from the plant to Powerex, a subsidiary of BC Hydro. When completed, the plant will employ 33 people.
- Bull Mountain Power has proposed two 350-megawatt coal-fired generators using 2.7 million tons of coal per year from the Bull Mountain Mine at Roundup. The Montana Environmental Information Center has appealed the air quality permit issued by the Montana DEQ for the project. The case will be heard in district court in Roundup in 2004.
- Great Northern Power Development of Denver and Kiewit Mining Group of Omaha have proposed a \$1 billion 500-megawatt coal-fired generating plant near Nelson Creek west of Circle. The project will be submitting its applications for state required permits in 2004. The project would be just east of Highway 24 and north of Montana 200 and would go on line in 2009. Circle, Jordan, Glasgow, Glendive, and Wolf Point would be the communities most likely impacted by the project. Direct and in-direct employment is estimated at 1,200 jobs.
- The Southern Montana Electric G & T Co-op, created in 2003 by five Montana rural electric co-operatives, has proposed a 250-megawatt coal-fired power plant 8 miles east of Great Falls. The \$470 million plant would use about 1.1 million tons of Montana coal annually. The plant would require about 400 workers for construction and 65 permanent workers for operation. The co-op will apply for its required permits in 2004.

- The Otter Creek Tracts 1, 2, and 3 coal deposits, with over 533 million tons of estimated super-compliant coal reserves, have been proposed as the site for a 3,500-megawatt coal generation plant by Kennecott, Bechtel, and Wesco.
- Great River Energy's Stanton, N.D. power plant is considering converting to burning sub-bituminous coal from Kennecott Energy's Spring Creek Mine near Decker, MT.

The list of projects above does not include the five other existing Montana coal mines that mine sub-bituminous coal including Decker Coal Company at Decker, the Peabody Group's Big Sky Mine at Colstrip, Western Energy Company's Rosebud Mine at Colstrip (which mined 10.1 million tons in 2003), and Westmoreland Resources' Absaloka Mine at Hardin. In addition, Westmoreland Resources has a lignite mine at Savage that produced 300,000 tons of coal in 2003.

Hard Rock Mining Impact Board:

The Montana Hard Rock Mining Impact Board, created by the Legislature in 1981, exists to provide technical assistance, analysis, and mitigation and mediation services to local governments and hard rock mining developers where potentially adverse public fiscal impacts from large-scale development are identified. This five-member board, appointed by the Governor, establishes administrative policies and implements state law. The Board administers the Hard-Rock Mining Impact Act (HRMI) (90-6-301, MCA) and the companion Property Tax Base Sharing Act (PTBS) (90-1-401, MCA) and provides technical assistance with metal mines license tax distributions. The Board adjudicates disputes between affected entities. The purpose of HRMI and PTBS acts is to mitigate the local government service, facility and fiscal impacts from new large-scale hard-rock mineral developments in Montana.

Mineral developers and affected local governments prepare and implement impact plans intended to ensure that local government services and facilities are available when and where they are needed as a result of new mineral developments, without imposing additional costs on existing local taxpayers. Developers pay new capital and net operating costs through prepaid property taxes with a subsequent tax credit, grants, or facility impact bonds.

Currently, only the Stillwater Mining Company's Nye Mine in Stillwater County and East Boulder Mine in Sweetgrass County have adopted and approved impact plans. Both mines are platinum and palladium mines.

Revett Silver Company, previously known as Sterling Mining Company, has proposed reopening the Troy Mine, a copper and silver mine ten miles south of Troy. The mine began operating in 1981 but closed in 1993 because of low metals prices, resulting in the loss of 320 jobs in the area.

Hard Rock	Actual FY 2002	Actual FY 2003	Actual FY 2004	Estimated FY 2005	Requested FY 2006	Requested FY 2007
Board Meetings	4	2	1	2	2	2
Conference Calls	2	4	4	4	4	4

Treasure State Endowment Program (TSEP):

TSEP is a state-funded grant program created to help local governments fund infrastructure projects, defined by statute as drinking water systems, wastewater treatment, sanitary sewer or storm sewer systems, solid waste disposal and separation systems, including site acquisition, preparation, or monitoring; and bridges. TSEP was authorized by Montana voters through the passage of Legislative Referendum 110 in June 1992 (90-6-701, MCA).

Construction Projects – Applications Received and Reviewed:

Applications for funding local government public facility construction projects are accepted by the program in even-numbered years preceding the Legislature, since projects and funding must be approved by the Legislature. The program received 47 applications in FY 2004, with half of their review and evaluation occurring in FY 2005. These applicants are competing for funds that will become available during the 2007 biennium. The treasure state endowment fund grows each year, which in turn provides more funds each biennium for award to construction projects. As a result of the predictable increase in program funds that would be available to award to construction projects, and a continued increase in the number of applications from counties for bridge projects, the program estimates that a similar number of applications, if not more, would be received and reviewed in FY 2006 and 2007.

Construction Projects – Awards:

Construction projects are authorized for funding every other year by the Legislature. Forty projects were awarded matching grants by the 2003 Legislature. Based on the interest earnings received from the treasure state endowment fund in FY 2004, it appears that the total amount of interest earnings that was projected and awarded by the Legislature will, in fact, be received during the 2005 biennium, and there will be sufficient funds for all forty projects. The estimated 44 new projects that would potentially be funded from the 2007 biennium interest earnings assumes that approximately \$18 million would be received during the 2007 biennium.

Active Construction Projects:

Once TSEP funds have been awarded by the Legislature to communities for a construction project, the project is considered "active" until it is "conditionally closed." During this time period, the program staff assists the local government in administering program funds and managing the construction of the project in compliance with state laws and regulations. An active project is conditionally closed when the construction project has been completed and accepted by the local government, and the local government has submitted documentation describing what was actually accomplished and expended for each funding source involved in the project. Once the project is conditionally closed, the final disbursement of TSEP funds is provided to the local government. The estimate for FY 2005 is based on the 74 active construction projects at the end of FY 2004, less approximately 40 that are likely to be conditionally closed during FY 2005. The estimate for FY 2006 and FY 2007 assumes that 44 new construction projects would be awarded TSEP funds by the 2005 Legislature.

Preliminary Engineering Grants:

The 2000 Special Session of the 56th Legislative Assembly statutorily appropriated \$425,000 for each biennium beginning in FY 2002, and ending at the end of FY 2005, for the purpose of providing communities with matching grants for preliminary engineering work. In order to submit an application requesting TSEP funding for a construction project, the applicant must include a detailed preliminary engineering report, which documents the problems, evaluates all reasonable alternative solutions, and finally, describes the alternative that the applicant has selected to solve the problems. The Department of Commerce established a limit of \$15,000 per study. The department awarded 40 grants totaling \$423,479 during the 2003 biennium in order for local governments to evaluate their public facilities, and all but one have completed their studies. The department awarded 32 grants totaling \$425,000 during the 2005 biennium, and 25 of those studies have been completed. Of the 47 applications for construction projects received in FY 2004, 29 of the local governments also received a TSEP grant to help fund their preliminary engineering study. Because the statutory appropriation for TSEP grants for preliminary

engineering work would be terminating at the end of FY 2005, the department is including a request in HB 11 for \$500,000 to be used for the same purpose. The estimated number of studies that will be funded in FY 2006 and FY 2007 assumes that \$500,000 would be appropriated and that each of the 34 communities applying would request the maximum amount allowed. Potentially, several more grants could be awarded if some applicants request or use less than \$15,000.

Emergency Grants:

Starting in 2001, the Legislature appropriated \$100,000 each biennium to be used by the department to award grants to local governments for emergency public facility projects that could not wait for legislative approval. The program established a general limit of \$30,000 per project. Five emergency projects were funded during the 2003 biennium. Several other requests were received, but were not funded because they were not deemed to be an emergency. Three emergency projects were funded in FY 2004. With approximately \$77,000 remaining, at least three to four more emergency projects could be funded in the remaining portion of FY 2005. The estimated number of emergency projects to be funded during the 2007 biennium assumes that the Legislature would again appropriate \$100,000 for emergency projects and each project funded receives less than \$30,000. Potentially, a few more grants could be awarded if some applicants request less than \$15,000. Typically, the awards for emergency bridge projects have been \$5,000 or less, and bridge projects account for approximately 50 percent of the emergency awards to date.

TSEP	Actual FY 2002	Actual FY 2003	Actual FY 2004	Estimated FY 2005	Requested FY 2006	Requested FY 2007
Construction Applications Received	55	0	47	0	50	0
Construction Awards	0	40	0	44	0	48
Active Construction Projects	55	40	74	34	78	70
Preliminary Engineering Awards	39	0	32	0	34	0
Emergency Awards	2	3	3	4	3	3

Community Development Block Grant (CDBG) Program:

Active Projects:

Montana has been operating the CDBG Program in cooperation with the U.S. Department of Housing and Urban Development (HUD) since 1982. Since that time, Montana has received over 100 million dollars in CDBG funds for the housing and public facilities categories. Typically, at any one time, the CDBG Program for Housing and Public Facilities is responsible for the administration of over forty public facilities and housing projects that are underway within the State. The majority of the public facilities projects are grants to local governments to undertake needed water and wastewater system improvements. Grants have also been made to Montana local governments to fund senior centers, fire halls, hospitals, and Head Start centers.

Local governments can also use the CDBG program to fund the rehabilitation of substandard homes within a community or to undertake the new construction of housing units for low and moderate income persons, working in conjunction with a non-profit organization that will own and operate the housing project. Housing grants are also made to local governments to provide down payment assistance for housing purchase by low and moderate income families.

The program is also responsible for the administration of approximately 12 to 18 planning grants that are awarded annually to local governments to assist them in identifying public facilities or housing needs, or to prepare comprehensive plans (now termed "growth policies" under changes enacted by the Legislature in 1999), as well as capital improvement programs.

Three formal grant competitions are normally held each year: a spring grant competition for planning grants; a summer grant competition for public facilities; and a fall grant competition for housing projects. CDBG staff is responsible for ensuring that federal and state laws and regulations are complied with during the implementation of local projects. CDBG staff also devotes extensive time to assist local governments in administering their projects. Active projects are conditionally closed when the project has been completed and accepted by the local government. The project is granted final closeout status after submission of a local government audit, which includes the CDBG project funds.

For several years, Congress and HUD have been placing increasing pressure on all of the states that administer the CDBG program to expedite the expenditure of their CDBG funds. Overall, Montana has had a good track record in the expenditure of CDBG funds, ranking in the top quarter of states in its rate of spending. However, in response to Congress' concerns and with HUD's encouragement, the Department of Commerce changed the funding cycle beginning with the FFY 2003 and 2004 CDBG programs. To accelerate the funding cycle, the Department conducted grant competitions for federal fiscal years 2002, 2003 and 2004 funding allocations during calendar years 2002 and 2003. This acceleration of the grant cycles was a one-time only event.

The objective of this change was to establish a long-term annual grant application cycle for future years that would provide for the ranking of both housing and public facility applications in the calendar year prior to the actual receipt of the FFY CDBG allocation that will fund those projects. This will allow the department to award grants to communities immediately upon HUD's notification to the State of that fiscal year's CDBG allocation.

Grants are awarded in order of the ranking scores assigned during the previous calendar year's grant competition, based on the amount of funds allocated to the housing and public facilities project categories. This eliminates the lag time between the receipt of the State's CDBG allocation and the award of those funds. This is a step that has either already been implemented or is being seriously considered by several other states which administer the State CDBG Program. This action also has the benefit of allowing public facility projects applying for both CDBG and TSEP funding to be reviewed in even-numbered years by both programs concurrently.

Successful applicants under the public facilities grant competition announced in September will be able to draw upon funds seven months later in April when CDBG funds are received from HUD. Similarly, successful housing grant applicants announced in February will be able to draw upon funds two months later when the CDBG funds are received from HUD in April.

CDBG	Actual FY 2002	Actual FY 2003	Actual FY 2004	Estimated FY 2005	Requested FY 2006	Requested FY 2007
Applications Reviewed						
Public Facilities	8	13	10	14	14	14
Housing	7*	*	6	8	8	8
Planning	17	26	33	30	35**	30
Grants Awarded						
Public Facilities	8	12	7	10	10	10
Housing	4*	*	3	4	4	4
Planning	13	16	14	20	20	20

* Housing applications were combined for FY 2002/2003

** Higher number of CDBG planning grant applications is anticipated in even-numbered years because all available TSEP preliminary engineering grant funds is generally disbursed in the first year of the biennium.